

BANK INDONESIA REGULATION
NUMBER 10/36/PBI/2008
CONCERNING
SHARIA MONETARY OPERATIONS
WITH THE BLESSING OF THE ONE GOD
THE GOVERNOR OF BANK INDONESIA,

- Considering : a. whereas in order to realize the objective to achieve and maintain the stability of the rupiah, Bank Indonesia assumes the task to formulate and implement monetary policy;
- b. whereas in order to support the task to formulate and implement the monetary policy, Bank Indonesia is able to implement monetary control under sharia principles;
- c. whereas in the monetary control under sharia principles Bank Indonesia conducts sharia monetary operations to influence the adequacy of liquidity of sharia banks ;
- d. whereas pursuant to the considerations set forth in letter a, letter b, and letter c, it is deemed necessary to govern provisions concerning sharia monetary operations in a Bank Indonesia Regulation;

In view of : 1. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999; Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Government Regulation Substituting Act Number 2 of 2008 (State Gazette of the Republic of Indonesia Number 142 of 2008; Supplement to the State Gazette of the Republic of Indonesia Number 4901);

2. Act Number 21 of 2008 concerning Sharia Banking (State Gazette of the Republic of Indonesia Number 94 of 2008; Supplement to the State Gazette of the Republic of Indonesia Number 4867).

HAS DECREED :

To enact : BANK INDONESIA REGULATION CONCERNING
SHARIA MONETARY OPERATIONS

CHAPTER I

GENERAL PROVISIONS

Article 1

Terminologies used in this Bank Indonesia Regulation are defined as follows.

1. Bank is a Sharia Commercial Bank and Sharia Business Unit.
2. Sharia Commercial Bank is the Sharia Commercial Bank as referred to in Act Number 21 of 2008 concerning Sharia Banking.
3. Sharia Business Unit is the Sharia Business Unit as referred to in Act Number 21 of 2008 concerning Sharia Banking.

4. Sharia ...

4. Sharia Monetary Operation, hereinafter to be referred to as OMS, is an implementation of monetary policy by Bank Indonesia in effort of monetary control through open market operations and provision of standing facilities under sharia principles.
5. Sharia Open Market Operation, hereinafter to be referred to as Sharia OMO, is a money market transaction based on sharia principles conducted by Bank Indonesia with Banks and other parties in the OMS.
6. Sharia Standing Facility is a facility provided by Bank Indonesia for Banks in the OMS.
7. Bank Indonesia Sharia Certificate, hereinafter to be referred to as SBIS, is a short-term rupiah denominated securities based on sharia principles issued by Bank Indonesia.
8. Government Sharia Securities, hereinafter to be referred to as SBSN, is a government securities denominated in the rupiah issued under sharia principles as an evidence of placement of SBSN assets.

CHAPTER II

OBJECTIVES OF SHARIA MONETARY OPERATIONS

Article 2

- (1) OMS is aimed at achieving the operational target of sharia monetary control in the efforts to support achievement of the ultimate target of Bank Indonesia monetary policy.
- (2) The operational target as referred to in paragraph (1) may be in the form of adequacy of liquidity of sharia banks or other variable stipulated by Bank Indonesia.

Article 3

The operational target of monetary policy as referred to in Article 2 shall be achieved by influencing sharia banks liquidity through monetary contraction or

expansion ...

expansion.

CHAPTER III

SHARIA MONETARY OPERATION ACTIVITIES

Article 4

- (1) OMS activities have to comply with sharia principles.
- (2) The compliance with sharia principles as referred to in paragraph (1) shall be realized in the form of extension of fatwa and/or sharia opinion by competent fatwa authorities.

Article 5

The OMS activities as referred to in Article 4 shall be conducted in the form, among other things, of :

- a. Sharia OMO; and
- b. Sharia Standing Facilities.

CHAPTER IV

SHARIA OMO

Article 6

The Sharia OMO as referred to in Article 5 letter a shall be conducted, among other things, by :

- a. issuance of SBIS;
- b. selling buying of rupiah denominated securities which complies with sharia principles including SBIS, SBSN, and other high quality and liquid securities; and/or
- c. absorption of fund without securities issuance.

Article 7

The selling buying of rupiah denominated securities as referred to in Article 6 paragraph (1) letter b may be conducted, among other things, by :

a. outright ...

- a. outright buying;
- b. outright selling;
- c. repurchase agreement/repo; and/or
- d. reverse repo.

Article 8

- (1) Sharia OMO shall be conducted on periodic basis.
- (2) If necessary, Sharia OMO may be conducted at any time.

Article 9

The Sharia OMO as referred to in Article 6 shall be conducted through auction and/or non-auction mechanism.

CHAPTER V

SHARIA STANDING FACILITIES

Article 10

The Sharia Standing Facilities as referred to in Article 5 letter b shall be conducted by :

- a. provision of deposit facility; and
- b. provision of financing facility.

Article 11

- (1) The deposit facility as referred to in Article 10 letter a shall be conducted in the form, among other things, of Bank Indonesia Sharia Deposit Facility (FASBIS).
- (2) The financing facility as referred to in Article 10 letter b shall be conducted in the form, among other things, of repo securities denominated in the rupiah.

Article 12

The Sharia Standing Facilities as referred to in Article 10 shall be conducted by non-auction mechanism.

CHAPTER VI

OMS PARTICIPANTS

Article 13

- (1) OMS participants comprise Bank and other party stipulated by Bank Indonesia.
- (2) Any Bank and/or other party may participate in OMS activities either directly or indirectly through intermediary.

Article 14

Bank Indonesia shall stipulate requirements for OMS participants.

Article 15

- (1) Any OMS participant shall be accountable for the reliability of bids it enters.
- (2) Any OMS participant which has entered bids shall not be allowed to cancel its bids.
- (3) Any OMS participant shall be required to comply with bidding procedures and requirements in OMS transactions stipulated by Bank Indonesia.
- (4) In the event of any failure in complying with the bidding procedures and requirements as referred to in paragraph (3) by OMS Participants, the bids which have been entered shall be cancelled.

Article 16

In participating in OMS activities the intermediary as referred to in Article 13 paragraph (2) shall not be allowed to bid for its own behalf.

Article 17

- (1) Any Bank and/or other party as referred to in Article 13 paragraph (1) participating in OMS activities either directly or indirectly shall be required to provide adequate funds in its demand deposit account in the rupiah and/or rupiah denominated securities which complies with sharia principles in Bank Indonesia to settle payment and/or securities liability on transaction settlement.

(2) In the ...

- (2) In the event of any failure by the Bank or other party in fulfillment of the liabilities as referred to in paragraph (1) on the transaction settlement, the concerned OMS transactions shall be cancelled.

CHAPTER VII

SANCTIONS

Article 18

- (1) In the event of any cancellation of the OMS transaction as referred to in Article 17 paragraph (2), the OMS participant shall be liable to sanctions in the form of :
- a. written warning; and
 - b. financial penalty of 1⁰/₀₀ (one per one thousand) of the value of the cancelled transaction with a maximum amount of Rp1,000,000,000.00 (one billion rupiah);
- (2) Without reducing the sanctions as referred to in paragraph (1), any cancellation of transaction for the third time in a period of 6 (six) months shall also be imposed a sanction in the form of temporary termination to participate in OMS activities for 5 (five) consecutive business days.

CHAPTER VIII

CONCLUDING PROVISIONS

Article 19

Implementation provisions of this Bank Indonesia Regulation shall be further stipulated in Bank Indonesia Circular Letter.

Article 20

This Bank Indonesia Regulation shall come into force since the date of its enactment.

For ...

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

Dated December 10, 2008

THE GOVERNOR OF BANK INDONESIA,

BOEDIONO

Promulgated in Jakarta

Dated December 10, 2008

THE INTERIM MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

WIDODO A.S.

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 197 OF
2008

ELUCIDATION ...

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 10/ 36 /PBI/2008
CONCERNING
SHARIA MONETARY OPERATIONS

I. GENERAL REVIEW

To support the objective of Bank Indonesia to achieve and maintain the stability of the rupiah, Bank Indonesia may implement monetary control based on sharia principles as mandated in Article 10 paragraph (2) of Act Number 23 of 1999 concerning Bank Indonesia as amended for the last time by Government Regulation Substituting Act Number 2 of 2008. One of success criteria in achieving the objective is a controlled annual rate of inflation which is stipulated as the ultimate target of the implementation of Bank Indonesia's task in the monetary.

To achieve the ultimate target of the monetary policy, one of methods of monetary control based on sharia principles is by implementation of sharia monetary operations to influence adequacy of liquidity of sharia banks. In its implementation, Bank Indonesia may conduct sharia monetary operations either for monetary contraction or expansion.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory ...

Self-explanatory.

Paragraph (2)

Adequacy of liquidity may be in the form of base money targeted or its components comprising :

- a. banknotes holding by Bank and the public; and
- b. demand deposit balance of Bank in the rupiah in Bank Indonesia.

“Other variable” is a variable other than adequacy of liquidity, stipulated as the operational target of the sharia monetary control including but not limited to rate of return of interbank money market based on sharia principles.

Article 3

“Monetary contraction” is a decrease of Bank liquidity through OMS activities.

“Monetary expansion” is an increase of Bank liquidity through OMS activities.

Article 4

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Letter a

Self-explanatory.

Letter b

“Other high quality and liquid securities” is a rupiah denominated securities issued by other legal entity with a high rating based on assessment of rating institution approved by Bank Indonesia as regulated in Bank Indonesia provisions concerning rating institutions and ratings approved by Bank Indonesia and may be sold in the market for cash purpose at any time.

Letter c ...

Letter c

Self-explanatory.

Article 7

Letter a

“Outright buying” is a buying transaction of securities by Bank Indonesia without any obligation to sell back.

Letter b

“Outright selling” is a selling transaction of securities by Bank Indonesia without any obligation to repurchase.

Letter c

“Repurchase agreement/repo” is a selling transaction of securities by Bank to Bank Indonesia with an obligation to repurchase at a price and term as agreed.

Letter d

“Reverse repo” is a buying transaction of securities by Bank from Bank Indonesia with an obligation to sell back at a price and term as agreed.

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

Sharia OMO may be conducted at any time in the form, among other things, of Fine Tune Operation (FTO).

Article 9

Self-explanatory.

Article 10

Self-explanatory.

Article 11

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

“Repo securities” is a selling transaction of securities by Bank to Bank Indonesia with an obligation to buy back at a price and term as agreed (sell and buy back) and extension of borrowing by Bank Indonesia to Bank with securities as the collateral (collateralized borrowing).

Article 12

Self-explanatory.

Article 13

Paragraph (1)

“Other party” consists, among other things, of non-bank legal entity, other entity, and individuals related to the implementation of Bank Indonesia’s task in monetary control.

Paragraph (2)

“Intermediary” consists, among other things, of money market broker and capital market broker.

Article 14

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

Bank and/or other party participating in OMS activities directly may act either for its own behalf or on behalf of other parties.

Paragraph (2)

Self-explanatory.

Article 18

Self-explanatory.

Article 19 ...

Article 19

Main provisions which shall be regulated in Bank Indonesia Circular Letter include but not limited to :

- a. implementation of Sharia OMO;
- b. implementation of Sharia Standing Facilities;
- c. terms of OMS activities;
- d. requirements for OMS participants;
- e. characteristics of participation in OMS; and
- f. procedures of imposition of sanctions.

Article 20

Self-explanatory.

SUPPLEMENT TO THE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 4944

DPM